



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

Advocating for hospitals and the patients they serve.

TO: Members, Senate Appropriations Committee

FROM: Dave Finkbeiner, Senior Vice President, Advocacy

DATE: November 27, 2012

SUBJECT: **Senate Bill 1359**

The Michigan Health & Hospital Association urges the Committee to support Senate Bill 1359, a bill to change the mechanism for generating state Medicaid funding lost with the repeal of the Health Maintenance Organizations (HMO) Use Tax. The HMO Use Tax was applied until January 1, 2012.

Senate Bill 1359 amends the Health Insurance Claims Assessment Act. That act is part of the agreement to overhaul Michigan's tax codes to encourage economic recovery and business development. The HMO Use Tax had generated \$400 million state dollars to support Medicaid. With federal matching funds, the total Medicaid funding intended to result from the Use Tax is approximately \$1.2 billion.

The agreement to move to the Claims Assessment included the goal of a dollar-for-dollar replacement for the HMO Use Tax. The Claims Tax is applied to more payers at a lower rate than the Use Tax, with the expectation that the same amount of revenue would be raised. Providers, including hospitals, were concerned that setting a 1% assessment rate would not be adequate to achieve the dollar-for-dollar replacement of the Use Tax.

Clearly, the Claims Assessment is designed preserve the Medicaid program at its current level. The Claims Assessment did not increase benefits for enrollees, did not increase payments to HMOs, did not increase payments to hospitals and did not expand the eligibility for the program. The Claims Assessment merely serves to protect the existing Medicaid program. **Senate Bill 1359 is necessary to achieve protection of our existing program and to avoid cuts to providers or eligibility that would further erode our health care safety net.**

SPENCER JOHNSON, PRESIDENT

CORPORATE HEADQUARTERS ♦ 6215 West St. Joseph Highway ♦ Lansing, Michigan 48917 ♦ (517) 323-3443 ♦ Fax (517) 323-0946
CAPITOL ADVOCACY CENTER ♦ 110 West Michigan Avenue, Suite 1200 ♦ Lansing, Michigan 48933 ♦ (517) 323-3443 ♦ Fax (517) 703-8620
www.mha.org